

City of Riverside  
Statement of Net Assets  
June 30, 2002  
(amounts expressed in thousands)

Assets:	Governmental Activities	Business type Activities	Total
Cash and investments	\$ 199,309	\$ 126,483	\$ 325,792
Receivables (net of allowances for uncollectibles)	32,870	35,859	68,729
Inventories	2,214	0	2,214
Nuclear material inventory	0	1,097	1,097
Prepaid items	147	4,379	4,526
Deferred charges	0	38,661	38,661
Internal balances	(9,476)	9,476	0
Land and improvements held for resale	7,179	0	7,179
Restricted assets:			
Cash and cash equivalents	0	33,250	33,250
Cash and cash equivalents at fiscal agent	0	11,657	11,657
Investments at fiscal agent	24,432	67,175	91,607
Other	0	826	826
Capital leases receivable	28,240	0	28,240
Capital assets (net of accumulated depreciation)	478,043	618,263	1,096,306
Total assets	<u>762,958</u>	<u>947,126</u>	<u>1,710,084</u>
Liabilities			
Accounts payable and other current liabilities	41,154	19,284	60,438
Accrued interest payable	2,117	0	2,117
Deferred revenue	29,139	2,046	31,185
Deposits	17,318	3,432	20,750
Current liabilities payable from restricted assets	0	8,858	8,858
Claims and judgments payable	16,752	0	16,752
Noncurrent liabilities:			
Due within one year	4,740	14,600	19,340
Due in more than one year	130,476	388,898	519,374
Total liabilities	<u>241,696</u>	<u>437,118</u>	<u>678,814</u>
Net Assets			
Invested in capital assets, net of related debt	465,803	293,936	759,739
Restricted for:			
Capital projects	94,061	0	94,061
Debt service	7,097	35,504	42,601
Other purposes	14,194	3,031	17,225
Unrestricted	(59,893)	177,537	117,644
Total net assets	<u>\$ 521,262</u>	<u>\$ 510,008</u>	<u>\$ 1,031,270</u>

The notes to the financial statements are an integral part of this statement.

City of Riverside  
Statement of Activities  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 37,454	\$ 9,791	\$ 20,265	\$ 3,394	\$ 1,937	\$ (21,649)		\$ (21,649)
Public safety	86,140	(5,196)	5,855	2,937	1,667	(70,485)		(70,485)
Highways and streets	9,074	(2,255)	18,891	59	12,079	24,210		24,210
Culture and recreation	31,947	(2,340)	4,671	867	3,845	(20,224)		(20,224)
Interest on long-term debt	7,727		0	0	0	(7,727)		(7,727)
Total governmental activities	172,342	0	49,682	7,257	19,528	(95,875)		(95,875)
Business type activities:								
Electric	215,131		216,106	0	0		\$ 975	975
Water	28,978		29,527	0	0		549	549
Sewer	19,214		20,457	1,050	1,877		4,170	4,170
Refuse	10,821		11,220	0	0		399	399
Airport	1,045		1,089	0	0		44	44
Transportation	1,735		116	1,942	0		323	323
Total business type activities	276,924		278,515	2,992	1,877		6,460	6,460
Total	\$ 449,266		\$ 328,197	\$ 10,249	\$ 21,405	(95,875)	6,460	(89,415)
General revenues:								
Taxes:								
Sales						38,467	0	38,467
Property						29,471	0	29,471
Utility users						18,510	0	18,510
Franchise						4,070	0	4,070
Other						2,777	0	2,777
Vehicle license fees						14,848	0	14,848
Grants and contributions not restricted to specific programs						0	12,638	12,638
Investment income						11,058	12,780	23,838
Miscellaneous						5,079	5,624	10,703
Special item - Water legal settlement						0	7,900	7,900
Transfers						18,057	(18,057)	0
Total general revenues and transfers						142,337	20,885	163,222
Change in net assets						46,462	27,345	73,807
Net assets - beginning						474,800	482,663	957,463
Net assets - ending						\$ 521,262	\$ 510,008	\$ 1,031,270

The notes to the financial statements are an integral part of this statement.



Balance Sheet  
Governmental Funds  
June 30, 2002  
(amounts expressed in thousands)

	General	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and investments	\$ 86,007	\$ 4,092	\$ 90,558	\$ 180,657
Cash and investments at fiscal agent	0	5,945	18,487	24,432
Receivables (net)				
Interest	1,015	75	934	2,024
Property taxes	7,907	0	190	8,097
Sales taxes	1,416	0	0	1,416
Utility billed	532	0	0	532
Accounts	2,985	252	386	3,623
Intergovernmental	3,350	0	4,030	7,380
Notes	64	0	9,318	9,382
Special assessments	0	0	135	135
Capital lease receivable	0	28,240	0	28,240
Prepaid items	129	2	16	147
Due from other funds	4,832	0	1,031	5,863
Interfund receivable	3,762	229	153	4,144
Land and improvements held for resale	0	0	7,179	7,179
Total assets	<u>111,999</u>	<u>38,835</u>	<u>132,417</u>	<u>283,251</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	4,131	551	3,735	8,417
Accrued payroll	4,415	0	162	4,577
Retainage payable	60	0	809	869
Intergovernmental	117	0	0	117
Deferred revenue	7,844	28,269	10,715	46,828
Deposits	17,049	0	264	17,313
Due to other funds	250	0	1,751	2,001
Interfund payable	3,357	60	14,244	17,661
Total liabilities	<u>37,223</u>	<u>28,880</u>	<u>31,680</u>	<u>97,783</u>
<b>Fund balances:</b>				
Reserved for:				
Encumbrances	7,014	0	9,868	16,882
Interfund receivable	3,762	0	0	3,762
Debt service	0	9,955	1,531	11,486
Prepaid items	107	0	13	120
Notes receivable	64	0	1,310	1,374
Land and improvements held for resale	0	0	7,179	7,179
Unreserved, designated for economic contingencies	21,400	0	0	21,400
Unreserved, designated for future operations	36,559	0	0	36,559
Unreserved :				
General fund	5,870	0	0	5,870
Special revenue funds	0	0	12,168	12,168
Capital projects funds	0	0	67,211	67,211
Permanent fund	0	0	1,457	1,457
Total fund balances	<u>74,776</u>	<u>9,955</u>	<u>100,737</u>	<u>185,468</u>
Total liabilities and fund balances	<u>\$ 111,999</u>	<u>\$ 38,835</u>	<u>\$ 132,417</u>	<u>\$ 283,251</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2002  
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$185,468
Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.	476,138
Other long-term assets that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.	18,149
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(163,496)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	<u>5,003</u>
Net assets of governmental activities	<u><u>\$521,262</u></u>

The notes to the financial statements are an integral part of this statement.



City of Riverside  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

	General	Redevelopment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 76,455	\$ 11,887	\$ 5,537	\$ 93,879
Licenses and permits	6,094	0	6,223	12,317
Intergovernmental	22,782	0	24,628	47,410
Charges for services	7,854	0	12	7,866
Fines and forfeitures	2,164	0	182	2,346
Special assessments	3,633	0	1,787	5,420
Rental and investment income	4,489	1,919	6,609	13,017
Miscellaneous	2,024	341	2,451	4,816
Total revenues	<u>125,495</u>	<u>14,147</u>	<u>47,429</u>	<u>187,071</u>
<b>Expenditures:</b>				
Current:				
General government	16,087	276	11,385	27,748
Public safety	91,245	0	0	91,245
Highways and streets	10,551	0	0	10,551
Culture and recreation	18,111	0	5,724	23,835
Capital outlay	0	0	41,058	41,058
Debt service:				
Principal	0	2,745	2,830	5,575
Interest	0	7,252	533	7,785
Repayment of advances	0	599	0	599
Total expenditures	<u>135,994</u>	<u>10,872</u>	<u>61,530</u>	<u>208,396</u>
Revenues over (under) expenditures	<u>(10,499)</u>	<u>3,275</u>	<u>(14,101)</u>	<u>(21,325)</u>
<b>Other financing sources (uses):</b>				
Transfers in	18,304	2,844	10,157	31,305
Transfers out	(3,354)	(7,044)	(2,850)	(13,248)
Sales of capital assets	188	0	0	188
Loss on sale of land held for resale	0	0	(35)	(35)
Bond proceeds	0	0	8,454	8,454
Total other financing sources (uses)	<u>15,138</u>	<u>(4,200)</u>	<u>15,726</u>	<u>26,664</u>
Net change in fund balances	4,639	(925)	1,625	5,339
Fund balances, beginning	<u>70,137</u>	<u>10,880</u>	<u>99,112</u>	<u>180,129</u>
Fund balances, ending	<u>\$ 74,776</u>	<u>\$ 9,955</u>	<u>\$ 100,737</u>	<u>\$ 185,468</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2002  
 (amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$5,339
--	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	29,963
---	--------

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds.	4,467
--	-------

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,218
---	-------

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>475</u>
--	------------

Change in net assets of governmental activities	<u><u>\$46,462</u></u>
---	------------------------

The notes to the financial statements are an integral part of this statement.

City of Riverside  
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
General Fund  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
<b>Revenues:</b>				
Taxes	\$ 71,835	\$ 71,835	\$ 76,455	\$ 4,620
Licenses and permits	5,347	5,347	6,094	747
Intergovernmental	16,797	27,475	22,782	(4,693)
Charges for services	6,501	6,716	7,854	1,138
Fines and forfeitures	1,865	1,865	2,164	299
Special assessments	3,450	3,515	3,633	118
Rental and investment income	2,311	2,311	4,489	2,178
Miscellaneous	990	2,353	2,024	(329)
<b>Total revenues</b>	<b>109,096</b>	<b>121,417</b>	<b>125,495</b>	<b>4,078</b>
<b>Expenditures:</b>				
<b>General government:</b>				
Mayor	196	201	201	0
Council	52	52	31	21
Manager	947	1,332	807	525
Attorney	542	515	33	482
Clerk	420	454	362	92
Planning	5,044	4,998	4,179	819
Human Resources	2,752	2,545	2,401	144
Administrative Services	9,911	9,911	7,347	2,564
Finance	6,890	6,948	6,050	898
Information System	11,008	11,955	8,352	3,603
Non-departmental	12,723	15,537	10,869	4,668
<b>Sub-total</b>	<b>50,485</b>	<b>54,448</b>	<b>40,632</b>	<b>13,816</b>
<b>Allocated expenditures</b>	<b>(24,181)</b>	<b>(24,181)</b>	<b>(24,545)</b>	<b>364</b>
<b>Total general government</b>	<b>26,304</b>	<b>30,267</b>	<b>16,087</b>	<b>14,180</b>

continued

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
<b>Public safety:</b>				
Police	57,862	61,963	59,329	2,634
Fire	26,685	28,381	25,298	3,083
Animal regulation	2,151	2,151	1,508	643
Building and zoning inspection	1,735	1,739	1,650	89
Street lighting	3,585	3,585	3,460	125
<b>Total public safety</b>	<b>92,018</b>	<b>97,819</b>	<b>91,245</b>	<b>6,574</b>
<b>Highways and streets</b>	<b>\$ 12,803</b>	<b>\$ 13,192</b>	<b>\$ 10,551</b>	<b>\$ 2,641</b>
<b>Culture and recreation</b>	<b>26,336</b>	<b>30,440</b>	<b>18,111</b>	<b>12,329</b>
<b>Total expenditures</b>	<b>157,461</b>	<b>171,718</b>	<b>135,994</b>	<b>35,724</b>
<b>Deficiency of revenue under expenditures</b>	<b>(48,365)</b>	<b>(50,301)</b>	<b>(10,499)</b>	<b>39,802</b>
<b>Other financing sources (uses):</b>				
Transfers in	18,259	18,845	18,304	(541)
Transfers out	(2,802)	(3,804)	(3,354)	450
Sales of capital assets	34	34	188	154
<b>Total other financing sources (uses)</b>	<b>15,491</b>	<b>15,075</b>	<b>15,138</b>	<b>63</b>
<b>Net change in fund balances</b>	<b>(32,874)</b>	<b>(35,226)</b>	<b>4,639</b>	<b>39,865</b>
<b>Fund balance, beginning</b>	<b>70,137</b>	<b>70,137</b>	<b>70,137</b>	<b>0</b>
<b>Fund balance, ending</b>	<b>\$ 37,263</b>	<b>\$ 34,911</b>	<b>\$ 74,776</b>	<b>\$ 39,865</b>

The notes to the financial statements are an integral part of this statement.

City of Riverside  
Statement of Net Assets  
Proprietary Funds  
June 30, 2002  
(amounts expressed in thousands)

Assets	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
<b>Current assets:</b>						
Cash and investments	\$ 45,030	\$ 28,879	\$ 48,504	\$ 4,070	\$ 126,483	\$ 18,652
Receivables (net of allowances for uncollectibles)						
Interest	602	335	538	73	1,548	191
Utility billed	10,611	1,515	654	384	13,164	0
Utility unbilled	8,149	1,579	752	447	10,927	0
Accounts	5,856	937	2,010	89	8,892	3
Intergovernmental	96	19	0	239	354	87
Notes	0	0	974	0	974	0
Nuclear materials inventory	1,097	0	0	0	1,097	0
Inventory	0	0	0	0	0	2,214
Prepaid items	4,371	0	7	1	4,379	0
Due from other funds	50	0	0	0	50	0
<b>Restricted assets:</b>						
Cash and investments	3,465	0	0	0	3,465	0
Cash and investments at fiscal agent	56,462	22,370	0	0	78,832	0
Revenue bond current debt service account	10,746	4,542	3,629	0	18,917	0
Revenue bond future debt service account	7,837	0	0	0	7,837	0
Landfill capping surcharge	0	0	0	3,031	3,031	0
Other	826	0	0	0	826	0
<b>Total current assets</b>	<b>155,198</b>	<b>60,176</b>	<b>57,068</b>	<b>8,334</b>	<b>280,776</b>	<b>21,147</b>
<b>Non-current assets:</b>						
Deferred charges	31,357	1,485	268	5,551	38,661	0
Interfund receivable	28	84	14,251	0	14,363	4,091
<b>Capital assets:</b>						
Land	5,839	14,477	3,048	7,061	30,425	0
Buildings	12,206	12,214	161,855	2,135	188,410	0
Accumulated depreciation-buildings	(2,287)	(1,526)	(45,530)	(628)	(49,971)	0
Improvements other than buildings	369,162	224,708	31,193	6,198	631,261	0
Accumulated depreciation-improvements other than buildings	(176,343)	(76,727)	(6,238)	(2,242)	(261,550)	0
Machinery and equipment	12,509	6,261	5,009	8,797	32,576	8,033
Accumulated depreciation-machinery and equipment	(9,030)	(4,550)	(4,208)	(5,745)	(23,533)	(6,128)
Construction in progress	52,253	18,387	0	5	70,645	0
<b>Total non-current assets</b>	<b>295,694</b>	<b>194,813</b>	<b>159,648</b>	<b>21,132</b>	<b>671,287</b>	<b>5,996</b>
<b>Total assets</b>	<b>450,892</b>	<b>254,989</b>	<b>216,716</b>	<b>29,466</b>	<b>952,063</b>	<b>27,143</b>

continued



City of Riverside  
Statement of Net Assets  
Proprietary Funds  
June 30, 2002  
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	6,745	1,186	147	622	8,700	494
Accrued payroll	4,684	2,085	1,438	955	9,162	517
Retainage payable	1,011	313	0	0	1,324	0
Intergovernmental	89	9	0	0	98	0
Claims and judgments	0	0	0	0	0	16,752
Deferred revenue	291	201	1,316	238	2,046	460
Deposits	3,113	319	0	0	3,432	5
Due to other funds	0	0	0	0	0	3,912
Capital leases-current	11	11	51	27	100	0
Water stock acquisitions-current	0	150	0	0	150	0
Total current liabilities	15,944	4,274	2,952	1,842	25,012	22,140
Current liabilities payable from restricted assets:						
Revenue bonds	7,840	3,845	2,665	0	14,350	0
Accrued interest	2,906	697	964	0	4,567	0
Deferred revenue	4,291	0	0	0	4,291	0
Total current liabilities payable from restricted assets	15,037	4,542	3,629	0	23,208	0
Noncurrent liabilities:						
Revenue bonds	232,684	71,100	37,487	0	341,271	0
Loan payable	0	0	6,966	0	6,966	0
Capital leases	0	0	227	244	471	0
Decommissioning liability	34,855	0	0	0	34,855	0
Water stock acquisitions	0	971	0	0	971	0
Interfund payable	0	0	0	4,937	4,937	0
Landfill capping	0	0	0	4,364	4,364	0
Total noncurrent liabilities	267,539	72,071	44,680	9,545	393,835	0
Total liabilities	298,520	80,887	51,261	11,387	442,055	22,140
<b>Net Assets</b>						
Invested in capital assets, net of related debt	43,100	137,795	97,733	12,902	291,530	1,905
Restricted for:						
Debt service	23,722	8,375	3,407	0	35,504	0
Other purposes	0	0	0	3,031	3,031	0
Unrestricted	85,550	27,932	64,315	2,146	179,943	3,098
Total net assets	\$ 152,372	\$174,102	\$ 165,455	\$ 18,079	\$ 510,008	\$ 5,003

The notes to the financial statements are an integral part of this statement.



City of Riverside  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:						
Charges for services	\$ 216,106	\$ 29,527	\$ 20,457	\$ 12,311	\$ 278,401	\$ 13,061
Operating expenses:						
Personal services	10,561	5,745	5,543	3,604	25,453	2,226
Contractual services	1,797	879	410	2,372	5,458	189
Maintenance and operation	170,193	6,009	2,952	3,839	182,993	227
General	8,939	6,245	2,509	1,567	19,260	1,694
Materials and supplies	336	179	696	399	1,610	80
Insurance	212	187	277	178	854	9,074
Depreciation and amortization	12,787	5,378	4,352	1,388	23,905	608
Total operating expenses	204,825	24,622	16,739	13,347	259,533	14,098
Operating income (loss)	11,281	4,905	3,718	(1,036)	18,868	(1,037)
Nonoperating income (expenses):						
Operating grants	0	0	1,050	1,942	2,992	0
Interest income	6,670	2,384	3,399	327	12,780	1,197
Other	4,255	1,068	16	123	5,462	257
Gain on retirement of capital assets	223	43	7	3	276	58
Capital improvement fees	0	0	1,877	0	1,877	0
Interest expense and fiscal charges	(10,306)	(4,356)	(2,475)	(254)	(17,391)	0
Total nonoperating income (expenses)	842	(861)	3,874	2,141	5,996	1,512
Income before operating transfers, capital contributions and special item	12,123	4,044	7,592	1,105	24,864	475
Capital contributions	5,485	7,044	0	109	12,638	0
Transfers in	0	0	51	190	241	0
Transfers out	(15,324)	(2,974)	0	0	(18,298)	0
Total before special item	2,284	8,114	7,643	1,404	19,445	475
Special item - Water legal settlement	0	7,900	0	0	7,900	0
Change in net assets	2,284	16,014	7,643	1,404	27,345	475
Total net assets - beginning	150,088	158,088	157,812	16,675	482,663	4,528
Total net assets - ending	\$ 152,372	\$ 174,102	\$ 165,455	\$ 18,079	\$ 510,008	\$ 5,003

The notes to the financial statements are an integral part of this statement.

City of Riverside  
Proprietary Funds  
Statement of Cash Flows  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	\$ 218,194	\$ 29,449	\$ 18,710	\$ 12,420	\$ 278,773	\$ 12,978
Cash paid to employees for services	(10,496)	(5,553)	(5,512)	(3,607)	(25,168)	(2,208)
Cash paid to other suppliers of goods or services	(181,012)	(13,356)	(6,191)	(8,566)	(209,125)	(9,329)
Other receipts	4,255	1,068	(809)	123	4,637	257
Net cash provided by operating activities	30,941	11,608	6,198	370	49,117	1,698
Cash flows from noncapital financing activities:						
Transfers in	0	0	51	190	241	0
Transfers out	(15,324)	(2,974)	0	0	(18,298)	0
Operating grants	0	0	1,050	1,844	2,894	0
Net cash provided (used) by noncapital financing activities	(15,324)	(2,974)	1,101	2,034	(15,163)	0
Cash flows from capital and related financing activities:						
Proceeds from revenue bonds	48,615	19,706	0	0	68,321	0
Issuance costs	(571)	(286)	0	0	(857)	0
Purchase of fixed assets	(51,275)	(12,189)	(1,330)	(467)	(65,261)	(766)
Purchase of nuclear fuel	(944)	0	0	0	(944)	0
Proceeds from the sale of fixed assets	285	89	7	3	384	58
Principal paid on long-term obligations	(7,396)	(3,306)	(3,007)	(23)	(13,732)	0
Interest paid on long-term obligations	(9,593)	(2,870)	(2,483)	(254)	(15,200)	0
Capital improvement fees	0	0	1,877	0	1,877	0
Contributed capital	2,498	10,236	0	109	12,843	0
Net cash provided (used) for capital and related financing activities	(18,381)	11,380	(4,936)	(632)	(12,569)	(708)
Cash flows from investing activities:						
Purchase of investments	(8,114)	(1,115)	0	0	(9,229)	0
Income from investments	6,996	2,492	3,672	349	13,509	1,301
Interfund receivables	0	0	(7,270)	(741)	(8,011)	0
Payments received on interfund payables	0	21	0	0	21	(2,348)
Net cash provided (used) by investing activities	(1,118)	1,398	(3,598)	(392)	(3,710)	(1,047)
Net change in cash and cash equivalents	(3,882)	21,412	(1,235)	1,380	17,675	(57)
Cash and cash equivalents, beginning (including \$40,626 for Electric and \$4,477 for Water in restricted accounts)	87,427	30,251	53,368	5,721	176,767	18,709
Cash and cash equivalents, ending (including \$38,515 for Electric and \$22,784 for Water in restricted accounts)	\$ 83,545	\$ 51,663	\$ 52,133	\$ 7,101	\$ 194,442	\$ 18,652
Schedule of noncash financing and investing activities:						
Contribution in aid	\$ 2,987	\$ 4,708	\$ 0	\$ 0	\$ 7,695	\$ 0

continued

City of Riverside  
Proprietary Funds  
Statement of Cash Flows  
For the fiscal year ended June 30, 2002  
(amounts expressed in thousands)

						continued
				Other	Total	Governmental
	Electric	Water	Sewer	Enterprise	Enterprise	Activities-
				Funds	Funds	Internal
						Service Funds
Reconciliation of operating income (loss) to net cash provided						
(used) by operating activities:						
Operating Income	\$ 11,281	\$ 4,905	\$ 3,718	\$ (1,036)	\$ 18,868	\$ (1,037)
Other receipts	4,255	1,068	16	123	5,462	257
Adjustments to reconcile operating income to						
net cash provided (used) by operating activities:						
Depreciation and amortization	12,787	5,378	4,352	1,388	23,905	608
Amortization (burn) of nuclear fuel	1,612	0	0	0	1,612	0
(Increase) in utility billed receivable	(1,135)	(98)	(90)	(67)	(1,390)	0
Decrease in utility unbilled receivable	386	61	15	8	470	0
(Increase) decrease in accounts receivable	1,478	63	(860)	14	695	5
(Increase) decrease in intergovernmental receivable	1,479	(16)	1	195	1,659	(82)
Decrease in notes receivable	0	1	282	0	283	0
(Increase) in prepaid items	(183)	0	(6)	0	(189)	0
(Increase) in nuclear materials inventory	(73)	0	0	0	(73)	0
Decrease in inventory	0	0	0	0	0	15
Increase (decrease) in accounts payable	(1,639)	(204)	(154)	31	(1,966)	(55)
Increase (decrease) in accrued payroll	64	192	31	(3)	284	18
Increase in retainage payable	951	252	0	0	1,203	0
Decrease in intergovernmental	(214)	(10)	0	0	(224)	0
Increase (decrease) in deferred revenue	(4,446)	7	(1,107)	1	(5,545)	0
Increase in deposits	1,010	9	0	0	1,019	5
(Decrease) in due to other funds	0	0	0	(211)	(211)	(354)
Increase in claims and judgments	0	0	0	0	0	2,318
Increase in decommissioning liability	3,328	0	0	0	3,328	0
(Decrease) in landfill capping	0	0	0	(73)	(73)	0
Net cash provided by operating activities	<u>\$ 30,941</u>	<u>\$ 11,608</u>	<u>\$ 6,198</u>	<u>\$ 370</u>	<u>\$ 49,117</u>	<u>\$ 1,698</u>

The notes to the financial statements are an integral part of this statement.

City of Riverside  
Statement of Fiduciary Net Assets  
Fiduciary Fund-Agency Fund  
June 30, 2002  
(amounts expressed in thousands)

	Assessment Districts
Assets:	
Cash and investments	\$ 5,346
Cash and investments at fiscal agent	10,957
Interest receivable	68
Property tax receivables	98
Total assets	<u>16,469</u>
Liabilities:	
Accounts payable	11
Held for bond holders	16,458
Total liabilities	<u>\$ 16,469</u>

The notes to the financial statements are an integral part of this statement.

## 1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

### A. Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are legally separate entities. In substance, they are part of the City's operations and their data is combined with that of the City's. The City has no component units which meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

#### Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1971 by the City. The Redevelopment Agency's primary purpose is to eliminate blighted areas in the City by encouraging commercial development. City Council members serve as the Redevelopment Agency's directors and have full accountability for fiscal matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. The purpose of the Public Financing Authority is to provide financing for public capital improvements to the City or the Redevelopment Agency. City Council members serve as the Public Financing Authority's directors and have full accountability for fiscal matters.

Parking Authority of the City of Riverside (Parking Authority) was established in 1972 to provide parking facilities throughout the City. The City Council is the governing body of the Parking Authority and ex-officio board members include the Mayor, Mayor Pro-Tempore, City Clerk, City Treasurer and the City Attorney.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of

the City. The Directors are appointed by the City Council and receive no compensation.

Riverside Civic Center Authority (Civic Center Authority) was created in 1971 by a Joint Exercise of Powers Agreement between the City and Riverside County for the purpose of providing financing for the construction of City Hall and the Riverside Convention Center. The Civic Center Authority is governed by a five-member commission, three appointed by the City and two by the County. The Civic Center Authority's property is leased to the City and, upon termination of the Agreement, all property will automatically vest with the City. At the present, all outstanding debt has been retired and dissolution is underway.

Complete financial statements for each of the individual component units except the Riverside Municipal Improvement Corporation (which does not generate a financial statement) may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.



Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and become an enforceable lien on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when cash is received by the government, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for the central stores, central garage, and the three self-insured risks of workers compensation, unemployment and public liability on a cost reimbursement basis.

The agency fund is used to account for no-commitment debt issued to finance various improvements within the city.

Pronouncements regarding accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Significant interfund activity has been eliminated from the government-wide financial statements with the exception of charges between the City's electric, water, sewer and refuse functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.



Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value. All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the Statement of Cash Flows.

#### E. Restricted Cash and Investments

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

#### F. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements in the normal course of Redevelopment Agency activity. The Developer Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. This property is carried at cost until an event occurs to indicate a lower net realizable value.

#### G. Inventory

Supplies are valued at cost using the first-in/first-out (FIFO) method. Costs are charged to user departments when consumed rather than when purchased.

#### H. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

#### I. Capital Assets and Nuclear Fuel

##### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight line method.



### Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one mill per kilowatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

### J. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

### K. Long-Term Obligations

#### Long-Term Debt

In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount

of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

### Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant.

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$34,855 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,600 per year to fund this obligation. Decommissioning is expected to commence around the year 2014.

### L. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the appropriate internal service fund.

### M. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management or the governing board for the future use of financial resources.

#### N. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions which constitute reimbursements are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest which has been off-set by deferred revenue.

#### O. Deferred Revenues

Governmental and proprietary funds report deferred revenue on their balance sheets. Deferred revenues arise in governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The majority of the City's governmental fund deferred revenue for June 30, 2002 relates to unearned revenue on a capital lease. See Note 4.

#### P. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien

is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' uncollected tax levies, adjusted for uncollectable amounts.

#### Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

#### 2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because payments are specified by debt indenture provisions. The permanent fund is not budgeted.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget which includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings.

The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund.

### 3. Deposits and Investments

Cash and investments at fiscal year end consist of the following:

Pooled investments	\$ 360,893
Cash and investments at fiscal agent	<u>114,221</u>
	475,114
Pooled cash	<u>3,495</u>
	<u>\$ 478,609</u>

The amounts are reflected in the government-wide statement of net assets:

Cash and investments	\$ 325,792
Restricted cash and cash equivalents	33,250
Restricted cash and cash equivalents at fiscal agent	11,657
Restricted investments at fiscal agent	<u>91,607</u>
Total per statement of net assets	462,306
Agency cash and investments	<u>16,303</u>
	<u>\$ 478,609</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end cash balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. At year end, cash deposits in the City's bank accounts had a general ledger balance of \$20,521; actual cash in the account was \$1,138 due to a timing difference for deposits in transit and other outstanding items. The bank balance was covered by federal depository insurance for the first \$100 or by collateral held in the pledging bank's trust department in the name of the City. These funds are classified in Category 2 as described in "Credit Risk, Carrying Amount and Market Value of Deposits and Investments". At year end the City maintained \$81 in operating cash in the City's vault.

#### Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

Securities of the U.S. Government, or its agencies  
Small Business Administration Loans  
Negotiable Certificates of Deposit  
Bankers Acceptances  
Commercial Paper of "prime" quality  
Local Agency Investment Fund (State Pool) Deposits  
Passbook Savings Account Demand Deposits  
Repurchase Agreements  
Mutual Funds  
Medium-Term Corporate Notes

#### Credit Risk, Carrying Amount and Market Value of Deposits and Investments

Cash and non-negotiable certificates of deposit are classified in three categories of custodial credit risk as follows: Category 1 - insured or collateralized with securities held by the City or its agent in the City's name; Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; Category 3 - uncollateralized.

All City investments subject to custodial credit risk are insured or registered, or securities held by the City or its agent in the City's name (category 1).

Investment in pools managed by other governments or in mutual funds are not required to be categorized by custodial credit risk.

Pooled investments by custodial credit risk at fair value consisted of the following at June 30, 2002:

Categorized:

Description	
Money Market Funds	\$ 20,521
U.S. Federal Agency Obligations:	
Federal National Mortgage Assn.	30,434
Federal Home Loan Bank	148,449
Federal Home Loan Mortgage Corporation	44,433
Federal Farm Credit Bank	15,177
Medium Term Notes	35,934
Taxable Municipal Bonds	4,481

Investments at

Fiscal Agent:

Federal National Mortgage Assn.	8,144
Federal Home Loan Bank	18,500
Federal Home Loan Mortg. Corp.	4,300
	<u>\$330,373</u>

Uncategorized:

(1) State of California Local Agency Investment Fund (2)	61,464
--	--------

(1) Investments at Fiscal Agent:

Money Market Funds	54,974
Investment Agreements	26,863
Cash	1,440
Total Investments	<u>\$475,114</u>

(1) Not subject to categorization

(2) Fair value of the City's position in the pool is not the same as the value of its pool shares.

The majority of the City's investment instruments are highly rated Federal agency or Corporate securities with minimal credit risk. It is the City's intention to hold all securities to maturity because the portfolio is highly liquid and well diversified.

#### 4. Capital Lease Receivable

The Redevelopment Agency has a direct financing lease arrangement with the State of California (the State) for a twelve story office building. The lease

term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments equivalent to the debt service owed by the Redevelopment Agency on the lease revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2003	\$ 2,169
2004	2,199
2005	2,221
2006	2,249
2007	2,273
Thereafter	<u>45,967</u>
Total Due	57,078
Less: Amount applicable to interest	<u>(28,838)</u>
Total capital lease receivable	<u>\$28,240</u>

#### 5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2002.

Governmental activities:	Balance, Beginning of Year	Additions	Deletions And Transfers	Balance, End of Year
Undepreciable Capital Assets:				
Land	\$114,337	\$ -	\$ -	\$114,337
Construction in progress	591	4,867	(591)	4,867
Depreciable Capital Assets:				
Buildings and Improvements	78,093	1,799	-	79,892
Improvements				
other than Buildings	36,966	3,228	-	40,194
Machinery and Equipment	48,894	5,511	(3,399)	51,006
Infrastructure	<u>364,550</u>	<u>31,957</u>	-	<u>396,507</u>
Subtotal	<u>643,431</u>	<u>47,362</u>	<u>(3,990)</u>	<u>686,803</u>
Less accumulated depreciation for:				
Buildings and Improvements	(23,058)	(1,601)	-	(24,659)
Improvements				
other than Buildings	(19,936)	(1,594)	-	(21,530)
Machinery and Equipment	(33,633)	(4,330)	2,968	(34,995)
Infrastructure	<u>(118,881)</u>	<u>(8,695)</u>	-	<u>(127,576)</u>
Subtotal	<u>(195,508)</u>	<u>16,220</u>	<u>2,968</u>	<u>(208,760)</u>
Governmental activities capital assets, net	<u>\$447,923</u>	<u>\$ 31,142</u>	<u>\$ (1,022)</u>	<u>\$478,043</u>



CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

Business type activities:	Balance, Beginning Of Year	Additions	Deletions and Transfers	Balance, End of Year
Undepreciable Capital Assets:				
Land	\$ 30,298	\$ 127	\$ -	\$ 30,425
Construction in progress	30,645	74,161	(34,162)	70,644
Depreciable Capital Assets:				
Buildings and Improvements	185,890	2,531	(11)	188,410
Improvements other than Buildings	603,303	28,320	(362)	631,261
Machinery and Equipment	<u>32,401</u>	<u>1,350</u>	<u>(1,175)</u>	<u>32,576</u>
Subtotal	882,537	106,489	(35,710)	953,316
Less accumulated depreciation for:				
Buildings	(45,676)	(4,300)	5	(49,971)
Improvements other than Buildings	(245,381)	(16,455)	287	(261,549)
Machinery and Equipment	<u>(22,054)</u>	<u>(2,588)</u>	<u>1,109</u>	<u>(23,533)</u>
Subtotal	<u>(313,111)</u>	<u>(23,343)</u>	<u>1,401</u>	<u>(335,053)</u>
Business type activities capital assets, net	<u>\$569,426</u>	<u>\$ 83,146</u>	<u>\$ (34,309)</u>	<u>\$618,263</u>

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	50 years
Improvements other than Buildings	20-99 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
General government	\$ 922
Public safety	2,953
Highways and streets, including depreciation of general infrastructure assets	10,073
Culture and recreation	<u>2,272</u>
Total depreciation expense - governmental activities	<u>\$16,220</u>

Business type activities:	
Electric	\$12,803
Water	5,379
Sewer	4,352
Refuse	372
Airport	229
Special Transportation	<u>208</u>
Total depreciation expense - business type activities	<u>\$23,343</u>

## 6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss. The City purchases commercial insurance for claims in excess of self-insured amounts. The City carries commercial insurance up to \$15,000 for general liability claims greater than \$750 per occurrence. Workers' compensation insurance coverage is of an unlimited amount with a deductible of \$500 per occurrence. There were no claims settled during fiscal years 2000 and 2001 above the self-insured amounts. There was a single claim settled in 2002 above the self-insured amount, related to a worker's compensation claim.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service Funds in the fund financial statements.

Changes in the funds' claims liability amounts in fiscal years 2002 and 2001 are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Balance, July 1, 2000	\$ 8,238	\$111	\$ 6,207	\$ 14,556
Add:				
Claims incurred	2,391	0	2,546	4,937
Less:				
Claim payments	(2,336)	(32)	(2,691)	(5,059)
Balance, June 30, 2001	8,293	79	6,062	14,434
Add:				
Claims incurred estimate	2,732	0	3,348	6,080
Less:				
Claim payments	(1,538)	(3)	(2,221)	(3,762)
Balance, June 30, 2002	<u>\$ 9,487</u>	<u>\$ 76</u>	<u>\$ 7,189</u>	<u>\$16,752</u>

## 7. Long-Term Obligations

Changes in Long-Term Obligations: The following is a summary of changes in long-term obligations during the fiscal year:

Governmental Activities:	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year
Redevelopment Agency bonds	\$113,980		(\$2,100)	\$111,880
Lease Revenue Bonds:				
Civic Center Authority bonds	2,070		(2,070)	0
Parking Authority bonds	760		(235)	525
Riverside Municipal Improvements Corporation Certificates of Participation	5,615		(465)	5,150
Assessment bonds	195		(60)	135
Capital Leases	7,316	\$ 110	(996)	6,430
Notes payable	11,629		(533)	11,096
Total	<u>\$141,565</u>	<u>\$ 110</u>	<u>(\$6,459)</u>	<u>\$135,216</u>

Business type activities:	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year
Revenue Bonds	\$ 299,244	\$ 67,215	(\$10,838)	\$ 355,621
Loans Payable	7,315		(349)	6,966
Capital leases	653		(82)	571
Water Stock Acquisition Rights	1,202		(81)	1,121
Total	<u>\$ 308,414</u>	<u>\$ 67,215</u>	<u>(\$11,350)</u>	<u>\$ 364,279</u>

## Advance Refundings:

In prior years the City and the Redevelopment Agency defeased certain Revenue and Tax Allocation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's or the Redevelopment Agency's financial statements. At fiscal year end \$16,060 of bonds outstanding are considered defeased (including \$11,730 of Redevelopment Agency bonds).

On July 11, 2001, \$14,325 of Special Tax Refunding bonds were sold for Highlander Community Facilities District 90-1 with a true interest cost of 4.73% to advance refund \$16,980 of previously outstanding bonds. The City completed the advance refunding to utilize excess prior bond proceeds and to reduce aggregate debt service payments over the next 15 years by \$10,377 and to obtain an economic gain (difference between present value of the old and new debt service payments) of \$3,959.

On December 12, 2001, the City of Riverside Public Financing Authority, sold Special Tax Refunding bonds of \$16,730 with a true interest cost of 4.46% and \$1,620 of subordinate bonds with a true interest cost of 5.48%. These bonds were sold to advance refund \$18,090 of previously outstanding bonds of the Orangecrest and Mission Grove Community Facilities District 86-1. The City completed the advance refunding to reduce aggregate debt service payments for the Orangecrest District over the next 15 years by \$5,651 and to obtain an economic gain (difference between present value of the old and new debt service payments) of \$3,603, and for the Mission Grove District over the next eight years by \$1,382 and to obtain an economic gain (difference between present value of the old and new debt service payments) of \$566.



CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

The payment of these Community Facilities District bonds is secured by valid liens upon certain lands within each district and are not direct liabilities of the City of Riverside.

Long-Term Obligations at June 30, 2001:

Revenue Bonds:

Electric

\$68,175 1991 Electric Revenue Bonds:

\$27,395 serial bonds, 4.5% to 6.4%, due in annual installments from \$670 to \$1,955 through October 1, 2002;  
(Portion not refunded)

Principal  
Outstanding

\$ 1,955

\$118,550 1993 Electric Revenue Refunding Bonds: \$92,245 serial bonds, 4.10% to 8.25%, due in annual installments from \$5,120 to \$8,005 through October 1, 2010; \$26,305 term bonds, 5.0%, due October 1, 2013

87,115

\$4,100 1994 Electric Revenue Bonds (FARECAL Pool): \$2,105 serial bonds, 4.75% to 6.0%, due in annual installments from \$115 to \$220 through June 1, 2010; \$1,995 term bonds, 6.0%, due June 1, 2017

3,460

\$98,730 1998 Electric Revenue Bonds (partial refunding issue): \$63,165 serial bonds, 4.25% to 5.38%, due in annual installments from \$4,650 to \$7,085 through October 1, 2013; \$35,565 term bonds, 5%, due October 1, 2022

98,730

\$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from \$2,855 to \$4,750 through October 1, 2016.

47,215

Subtotal

238,475

Add: Unamortized bond premium

2,049

\$ 240,524

Water

\$69,840 1991 Water Revenue Bonds:

\$25,050 serial bonds, 4.25% to 9.0%, due in annual installments from \$2,260 to \$3,100 through October 1, 2002; \$25,900 Capital Appreciation bonds 6.65% to 7.0%, due in annual installments from \$3,235 to \$3,240 from October 1, 2003 to October 1, 2010; (portion not refunded)

\$ 29,000

\$4,710 1994 Water Revenue Bonds (FARECAL Pool); \$2,420 serial bonds, 4.75% to 5.90%, due in annual installments from \$135 to \$255 through June 1, 2010; \$2,290 term bonds, 6.0% due June 1, 2017

\$3,965

\$30,965 1998 Water Revenue Bonds, (partial refunding issue): \$15,055 serial bonds, 4.0% to 5.0%, due in annual installments from \$205 to \$4,055 through October 1, 2013; \$15,910 term bonds, 5%, due October 1, 2027

29,950

\$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from \$345 to \$1,230 through October 1, 2031

20,000

Subtotal

82,915

Less: Unamortized bond discount

( 7,970)

\$74,945

Sewer

\$49,145 1993 Sewer Revenue Refunding Serial Bonds: 4.0% to 7.0%, due in annual installments from \$335 to \$4,745 through August 1, 2012

\$ 39,705

Add: Unamortized bond premium

447

\$ 40,152

Principal  
Outstanding

Principal  
Outstanding



Remaining revenue bond debt service payments will be made from revenues of the Electric, Water, and Sewer Utility Enterprise Funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Electric Utility Fund			Water Utility Fund		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 7,840	\$ 11,564	\$ 19,404	\$ 3,845	\$ 2,795	\$ 6,640
2004	10,780	11,123	21,903	4,010	2,628	6,638
2005	14,140	10,579	24,719	4,045	2,597	6,642
2006	14,775	9,940	24,715	4,075	2,565	6,640
2007	15,475	9,241	24,716	4,115	2,530	6,645
2008-2012	87,520	33,840	121,360	21,285	11,926	33,211
2013-2017	67,965	12,297	80,262	21,500	7,468	28,968
2018-2022	16,220	3,048	19,268	5,995	4,287	10,282
2023-2027	3,760	94	3,854	7,685	2,589	10,274
2028-2032				6,360	745	7,105
Premium (Discount)	2,049		2,049	(7,970)		(7,970)
Total	<u>\$240,524</u>	<u>\$101,726</u>	<u>\$342,250</u>	<u>\$ 74,945</u>	<u>\$ 40,130</u>	<u>\$115,075</u>

Fiscal Year	Sewer Utility Fund		
	Principal	Interest	Total
2003	\$ 2,665	\$ 2,248	\$ 4,913
2004	2,800	2,097	4,897
2005	2,970	1,937	4,907
2006	3,120	1,780	4,900
2007	3,285	1,584	4,869
2008-2012	20,120	4,177	24,297
2013-2017	4,745	119	4,864
Bond premium	447		447
Total	<u>\$ 40,152</u>	<u>\$13,942</u>	<u>\$54,094</u>

Redevelopment Agency Bonds: Principal Outstanding

\$24,810 1994 Downtown/Airport Project Area, Series A Tax Exempt bonds, \$4,085 serial bonds, 4.60% to 6.00%, due in annual installments from \$90 to \$610 through October 1, 2009; \$5,250 term bonds, 6.00%, due in annual installments from \$675 to \$1,090 through October 1, 2015; \$13,140 term bonds, 6.375%, due in annual installments from \$1,190 to \$2,155 through October 1, 2023; \$2,335 term bonds, 6.50%, due a single installment on October 1, 2024 \$24,065

\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas: \$1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from \$100 to \$145 through February 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded) 615

\$31,600 1993 Tax Allocation Refunding Bonds, Merged Project Area: \$6,975 serial bonds 4.0% to 5.40%, due in annual installments from \$155 to \$1,015 through August 1, 2008; and \$24,190 term bonds, 5.625%, due in annual installments from \$1,070 to \$2,300 through August 1, 2023 30,330

\$4,305 1994 Downtown/Airport Project Area, Series B Taxable bonds: \$45 term bonds, 7.50%, due in annual installments from \$5 to \$25 through October 1, 1999; \$295 term bonds, 8.30%, due in annual installments from \$35 to \$75 through October 1, 2004; \$470 term bonds, 8.65%, due in annual installments from \$80 to \$110 through October 1, 2009; \$3,495 term bonds, 8.80%, due in annual installments from \$120 to \$395 through October 1, 2024 4,175

CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

\$12,090 1994 Public Financing Authority, Tax Allocation Refunding Bonds, Multiple Project Areas issued through the Association of Bay Area Government Bond Pool: 4.7% to 6.4%, due in annual installments from \$175 to \$840 through December 1, 2024 \$ 10,660

\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A: 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bond sat 5.0% due August 1, 2027 16,645

\$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B: 4.5% to 5.5% due in annual installments from \$35 to \$190 through September 1, 2013; \$1,135 term bonds at 5.5% due September 1, 2018; and \$3,020 term bonds at 5.625 due September 1, 2027 5,920

\$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A: 3.4% to 4.7% due in annual installments from \$455 to \$780 through August 1, 2014; \$2,565 term bonds at 4.75% due August 1, 2017; \$4,035 term bonds at 4.75% due August 1, 2021; and \$4,870 term bonds at 5.0% due August 1, 2025.

19,470  
\$111,880

Remaining debt service will be paid by the Redevelopment Agency Debt Service Funds from future property tax revenues. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,265	\$ 6,193	\$ 8,458
2004	2,400	6,086	8,486
2005	2,525	5,969	8,494
2006	2,690	5,843	8,533
2007	2,835	5,705	8,540
2008-2012	17,085	26,018	43,103
2013-2017	23,220	20,485	43,705
2018-2022	31,385	12,692	44,077
2023-2027	25,875	3,113	28,988
2028-2032	1,600	41	1,641
Total	<u>\$111,880</u>	<u>\$ 92,145</u>	<u>\$204,025</u>

Parking Authority of the City of  
Riverside Bonds:

Principal  
Outstanding

\$3,450 1974 Parking Authority Lease Revenue Bonds: 7.0%, due in annual installments from \$255 to \$270 through August 15, 2003

\$ 525

Remaining revenue bond debt service payments will be made from revenues of the Parking Authority reporting entity. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 255	\$ 28	\$ 283
2004	270	9	279
Total	<u>\$ 525</u>	<u>\$ 37</u>	<u>\$ 562</u>

Riverside Municipal Improvements Corporation  
Certificates of Participation:

Principal  
Outstanding

\$6,360 1999 Municipal Improvements Corporation Certificates of Participation: 6.0% to 7.6%, due in annual installments from \$310 to \$815 through April 1, 2010

\$ 5,150

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the Debt Service Funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 500	\$ 381	\$ 881
2004	530	346	876
2005	570	308	878
2006	610	266	876
2007	660	221	881
2008-2012	<u>2,280</u>	<u>355</u>	<u>2,635</u>
Total	<u>\$ 5,150</u>	<u>\$ 1,877</u>	<u>\$ 7,027</u>

Assessment Bonds are recorded as long-term obligations in the accompanying financial statements pursuant to GASB Statement No. 6, "Accounting and Financial Reporting for Special Assessments." In the event of property owner default, the City may take actions to assume secondary liability for all or part of these bonds until such time as foreclosure proceedings are consummated.

Assessment Bonds:

\$1,394 1983 City of Riverside Improvement Bonds, 1915 Fairmount Business Park Assessment District: 9.7% to 10.0%, due in annual installments from \$65 to \$70 through July 2, 2003

Principal  
Outstanding

\$ 135

Remaining assessment bond debt service payments will be made from unrestricted revenues of the Debt Service Funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 65	\$ 10	\$ 75
2004	<u>70</u>	<u>3</u>	<u>73</u>
Total	<u>\$ 135</u>	<u>\$ 13</u>	<u>\$ 148</u>

Contracts:

Enterprise Funds

Principal  
Outstanding

Water stock acquisition rights payable on demand to various water companies, renewable through 2004

\$ 1,121

Notes Payable:

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Redevelopment Agency

Principal  
Outstanding

Housing and Community Development fund, non-interest bearing note payable due in annual installments of \$20, through 2005

\$ 60

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, including principal and interest through June 2020

2,987

Marketplace MKB Partners, 10%, payable in annual installments of \$28, including principal and interest through 2007

100

HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of \$272 to \$425 through August 1, 2015

3,520

HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018

4,429

Total notes payable

\$ 11,096



CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

Remaining notes payable debt service payments will be made from unrestricted revenues of the Redevelopment Agency. Annual debt service requirements to maturity are as follows:

Fiscal Year	Redevelopment Agency		
	Principal	Interest	Total
2003	\$ 347	\$ 847	\$ 1,194
2004	377	824	1,201
2005	402	799	1,201
2006	423	772	1,195
2007	438	742	1,180
2008-2012	2,706	3,196	5,902
2013-2017	3,536	2,015	5,551
2018-2022	1,587	988	2,575
2023-2027	1,281	430	1,711
Total	<u>\$11,097</u>	<u>\$10,613</u>	<u>\$21,710</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at fiscal year end:

General Long-Term Obligations

Assessment District	\$ 123
Parking Authority	407
Municipal Improvements Corporation	636
Redevelopment Agency	5,931
Total legally required debt service reserves	<u>\$ 7,097</u>

Enterprise Funds

Electric	\$ 23,722
Water	8,375
Sewer	3,407
Total reserve for revenue bond retirement	<u>\$ 35,504</u>

Debt service reserves at fiscal year end are as follows:

General Long-Term Obligations

Assessment District	\$ 196
Parking Authority	506
Municipal Improvements Corporation	829
Redevelopment Agency	10,015
Total reserve for debt service	<u>\$ 11,546</u>

Following are required and actual debt service ratios for the year ended June 30, 2002. The ratio measures operating income in relation to debt service.

	Minimum Debt Service Ratio Required	Actual Debt Service Ratio
Electric Fund	1.25	2.3
Water Fund	1.25	3.9
Sewer Fund	1.25	2.3

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)

The payment of these bonds is secured by valid assessment liens upon certain lands in each district and are not direct liabilities of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying assessments and the bondholders. Collection of property assessments and payment of the Assessment District Bonds are reflected only in the Agency Funds. The Assessment District Bonds applicable to this category outstanding at fiscal year end were:

	Principal Outstanding
\$30,795 1989 Improvement Bonds, Canyon Springs Assessment District Refunding Bonds: 6.9% to 7.35% due in annual installments from \$1,040 to \$2,745 through September 2, 2011	\$ 12,150
\$8,946 1991 Bonds of Community Facilities District No. 90-2, Tyler Mall: 5.75% to 6.9%, serial and capital appreciation bonds due in annual installments from \$670 to \$1,195 through September 2, 2011	4,364

\$4,417 1992 Series B Improvement Bonds, Sycamore Canyon Business Park Assessment District No. 1: 6.5% to 8.5% due in annual installments from \$112 to \$420 through September 2, 2012	\$ 3,175
\$6,342 1999 Auto Center Assessment District Improvement Bonds; 4.3% to 5.4% due in annual installments of \$137 to \$430 through September 2, 2024	6,060
\$14,325 2001 Highlander CFD 90-1 Refunding Bonds; 3.75% to 5.5% due in annual installments of \$725 to \$1,355 through September 2, 2015	14,325
\$10,198 2001 Riverwalk Assessment District Improvement Bonds; 4.0% to 6.375% due in annual installments of \$208 to \$770 through September 2, 2026	10,198
\$16,730 2001 Public Financing Authority Refunding Bonds, Series A (Orangecrest and Mission Grove); 3% to 4.75% due in annual installments from \$800 to \$1,425 through September 2, 2016	16,730
\$1,620 2001 Public Financing Authority Refunding Bonds, Series B (Orangecrest and Mission Grove); 4.0% to 5.75% due in annual installments from \$80 to \$145 through September 2, 2016	<u>1,620</u>
<b>Total Assessment Districts Bonds</b>	<b><u>\$ 68,622</u></b>

#### Conduit Debt Obligations

Mortgage Revenue Bonds outstanding of \$27,796 and Industrial Development Revenue Bonds of \$9,500 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

#### 9. Capital Leases Payable

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business type activities in the government wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liability are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation. The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	\$ 8,660	\$ 882
Equipment	3,209	159
Subtotal	11,869	1,041
Less: Accumulated Depreciation	(1,567)	(134)
<b>Total</b>	<b><u>\$10,302</u></b>	<b><u>\$ 907</u></b>

The future minimum lease obligations as of June 30, 2002 were as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2003	\$1,308	\$102
2004	1,085	79
2005	1,036	79
2006	963	79
2007	923	78
2008-2011	2,794	315
Total minimum lease payments	8,109	732
Less: Amount representing interest (rates ranging from 5% to 12%)	(1,679)	(161)
<b>Total capital lease payable</b>	<b><u>\$6,430</u></b>	<b><u>\$ 571</u></b>

CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

10. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Citrus Grove Management	\$ 130
	Special Capital Improvements	4
	Housing and Community Development	68
	NPDES Storm Drain	518
	Central Stores	3,912
	General	200
Redevelopment Agency - Capital Project	Redevelopment Agency - Special Revenue	1,031
Electric	General	50
		<u>\$ 5,913</u>

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Citrus Grove Management	\$ 58
	RDA - Capital Projects	3,644
	RDA - Debt Service	60
Special Gas Tax	General	6
Storm Drain	General	21
Capital Outlay	General	126
Sewer	General	1,302
	RDA - Capital Projects	8,071
	Airport	461
	Refuse	4,417
Workers' Compensation	General	1,561
	RDA - Capital Projects	2,471

Public Liability	Airport	59
RDA - Debt Service	General	229
Electric	General	28
Water	General	84
		<u>\$ 22,598</u>

Transfers In/Out:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Special Capital Improvements	\$ 6
	Electric	15,324
	Water	2,974
Library	General	2,580
RDA - Special Revenue	RDA - Debt Service	20
RDA - Debt Service	RDA - Capital Projects	52
	RDA - Special Revenue	2,592
	Housing and Community Development	200
RDA - Capital Projects	RDA - Debt Service	7,025
	General	532
Airport	General	40
Refuse	General	150
Sewer	General	51
		<u>\$31,546</u>



11. Expenses/Expenditures in Excess of Appropriations and Deficit Fund Balances/Retained Earnings

The Citrus Grove Management Fund incurred \$6 in expenditures against no current year appropriation. These were interest charges for its deficit cash position, an unbudgeted item. The NPDES Storm Drain Special Revenue Fund budgeted \$51 too few resources for its current year expenditure level.

Deficit fund balance/retained earnings exist in the Citrus Grove Management (\$131), the NPDES Storm Drain (\$56), the Central Stores (\$2,155), and the Public Liability (\$264) funds at fiscal year end. The Citrus Grove Management fund generated too few revenues from orange sales to cover the minor operating expenditures this year. As the groves mature, this position is expected to reverse. The NPDES Storm Drain Fund is fully funded by County receipts. Funds to recover the deficit will be received in the subsequent period. The continuing deficit in the Central Stores fund is being reduced based on a rate increase implemented in the prior year. Management's analysis shows that continuing cost control together with the rate increase will eliminate the deficit over the next few years. The claims expense in the current year, including the accrued liability based on the actuary's estimate of future payments on claims, exceeded the charges to other funds in the current year. Rates are adjusted as needed.

12. Litigation

The City is a defendant in various lawsuits arising in the normal course of operations. City management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material affect on the financial position or results of operations of the City. Management also believes that adequate reserves exist in the internal service funds to cover outstanding lawsuits.

13. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provision and all other requirements are established by state statute and city ordinance. Copies of CalPERS annual financial report

may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the fiscal year 2001-2002 rate was 0.000% for non-safety employees, and 2.26% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. For 2002, the City's annual pension cost of \$8,600 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% per year compounded annually, attributable to inflation, and (c) 3.5% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends by June 30, 2011.

Three-year trend information for CalPERS:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/00	\$ 11,344	100%	\$0
06/30/01	9,027	100%	0
06/30/02	8,600	100%	0



CITY OF RIVERSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2002

(amounts expressed in thousands)

Schedule of funding for CalPERS: (unaudited)

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Miscellaneous Safety	06/30/98	\$338,893	\$416,835	\$(77,942)	123.0	\$54,811	(142.2)
	06/30/98	252,150	274,612	(22,462)	108.9	27,703	(81.1)
Miscellaneous Safety	06/30/99	363,554	468,894	(105,340)	129.0	59,333	(177.5)
	06/30/99	269,155	307,732	(38,578)	114.3	29,688	(129.9)
Miscellaneous Safety	06/30/00	384,489	517,907	(133,418)	134.7	61,785	(215.9)
	06/30/00	307,349	349,102	(41,753)	113.6	31,902	(130.9)

14. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The City's Electric Utility has entered into a Power Purchases Contract with the Intermountain Power Agency (IPA) for delivery of electric power. The City's share of IPA power is equal to 7.6%, or approximately 126.4 megawatts, of the generation output of IPA's 1,600 megawatt coal-fueled generating station, located in Central Utah.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues and requires payment of certain minimum charges, which are based on debt service requirements. Such payments are considered a cost of production and are quantified below.

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility is obligated for its proportionate share of the project cost. The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station	5.40%	11.7 MW
Southern Transmission System	10.20%	195.0 MW
Hoover Dam Upgrading	31.91%	30.0 MW
Mead - Phoenix Transmission	4.00%	12.0 MW
Mead - Adelanto Transmission	13.50%	118.0 MW

Terms of Take or Pay Commitments

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Interest rates on the outstanding debt associated with the take or pay obligations range from 3.0% to 6.9%. The following schedule details the amount of principal and interest which is due and payable by the Electric Utility for each project in the fiscal year indicated.

Fiscal Year	IPA	SCPPA					Total
	Intermountain Power Project	Palo Verde Nuclear Generating Project	Southern Transmission System Project	Hoover Dam Upgrading	Mead-Phoenix	Mead-Adelanto	
2003	\$ 8,125	\$ 4,384	\$ 6,942	\$ 627	\$ 156	\$ 1,651	\$ 21,885
2004	27,109	4,405	7,203	705	156	1,651	41,229
2005	25,836	4,417	6,983	704	156	1,651	39,747
2006	26,349	1,620	7,224	704	156	1,651	37,704
2007	26,376	1,620	7,447	700	272	2,956	39,371
Thereafter	377,347	50,861	124,106	7,611	3,805	41,067	604,797
Total	\$491,142	\$67,307	\$159,905	\$11,051	\$4,701	\$50,627	\$784,733

Take-or-pay commitments expire upon final maturity of outstanding bonds for each project. Final maturities are as follows:

Project	Final Maturity Date
Intermountain Power Project	2023
Palo Verde Nuclear Generating Station	2017
Southern Transmission System	2023
Hoover Dam Upgrading	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020



In addition to debt service, Riverside's entitlement requires the payment for fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for 2001 and 2002 fiscal year are as follows:

Fiscal Year	IPA	PV	STSMAP	MPP	Hoover	Total
2001	\$20,158	\$2,103	\$1,177	\$48	\$106	\$23,801
2002	\$17,382	\$2,040	\$1,607	\$45	\$ 99	\$21,832

#### B. Other Commitments

The City has executed firm Power Purchase Agreements that allow the Electric Utility to purchase capacity and energy. The first agreement, with Deseret, is for 5 megawatts beginning in 1992 through December 31, 1994, then increasing to 52 megawatts through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2001 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret \$25 million from Electric fund reserves, which is reflected on the Balance Sheet as Unamortized purchased power. On July 1, 2002, the Electric utility will begin to realize the benefits related to the price reductions, and will amortize the \$25 million over the remaining term of the agreement using the straight-line method. The agreement with California Department of Water Resources (CDWR) consists of two individual contracts. The two agreements, CDWR III and IV are for the purchase of 23 and 30 megawatts of capacity and associated energy from May through October. CDWR III and CDWR IV are for a period of 15 years. An agreement with Bonneville Power Administration (BPA) is for a purchase of firm capacity and associated energy of 23 megawatts in the summer and 16 megawatts in the winter for a period of twenty years ending February 1, 2011. A second agreement with BPA was executed in 1996 and is for the purchase of firm capacity (50 megawatts during the summer months and 13 megawatts during the winter months) and associated energy beginning April 30, 1996 for twenty years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 and 15 megawatts, respectively, for the remainder of the 1996 agreement.

The minimum annual obligations under each of these contracts are shown in the table below:

#### POWER PURCHASE AGREEMENTS Minimum Obligations 2002-2003 (In Thousands)

Supplier	Capacity	Energy	Total
Deseret	\$3,463	\$ 1,771	\$ 5,234
CDWR III	508	0	508
CDWR IV	662	0	662
BPA	971*	0	971
Total	\$ 5,604	\$ 1,771	\$ 7,375

\*estimated

#### C. Jointly Governed Organizations

On November 1, 1980, The City of Riverside joined with the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale, Pasadena, and Imperial Irrigation District to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the cities of Cerritos and San Marcos were admitted as members of SCPPA. The primary purpose of the Authority is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Authority is governed by a Board of Directors which consists of one representative for each of the members. During the 2002 fiscal year, the Electric Utility paid approximately \$20,700 to SCPPA under various take-or-pay contracts, which are described in greater detail in Note 16A. These payments are reflected as a component of purchased power in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (Agency) by a Joint Powers Agreement under the laws of the State of California. The city of Anaheim joined the Agency on July, 1 1996. The primary purpose of the Agency is to take advantage of economies of scale resulting from the five cities acting in concert. The Agency has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Agency is governed by a Board of Directors (the Board), which consists of one representative for each of the members. The term of the Joint Powers Agreement is fifty years. On April 5, 2001 the Board placed the Agency in an inactive status, effective June 30, 2001. It can only be reactivated with authorization from the Agency Board.



On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, the North Marin Water District, the Northern California Power Agency, the Sacramento Municipal Utility District, and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The City of Santa Cruz joined in 1994, and Trinity Public Utility joined in 1996. The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors currently represented by the cities of Anaheim, Colton, Palo Alto, Pasadena, and the North Marin Water District and Trinity Public Utility. The Electric Utility's portion of the FARECal debt and utility plant assets is recorded in the accompanying financial statements.

#### D. Jointly-Owned Utility Project

Pursuant to the Settlement Agreement with Southern California Edison (SCE) dated August 4, 1972, the City was granted the right to acquire a 1.79% ownership interest in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3. Pursuant to the Settlement Agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement which sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas and Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remains the responsibility of SCE, as operating agent for the City.

There are no separate financial statements for the jointly-owned utility plant since each participant's interest in the utility plant and operating expenses is included in their respective financial statements. The Electric Utility's share of the capitalized construction cost and operating expenses is included in the Electric Utility's financial statements. As of June 30, 2002, Riverside's 1.79% share of the capitalized construction costs for SONGS totaled \$128,000 with accumulated depreciation of \$82,300. The Electric Utility made provisions during fiscal year 2002 for nuclear fuel burn of \$1,612 and for future decommissioning cost of \$1,581 (See Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

As a participant in the SONGS, the Electric Utility could be subject to assessment of additional insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

#### E. Contingencies

To comply with certain State and local regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. There is the potential for these estimates to change due to inflation, deflation, technology, or change in application laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost of \$5,551 is recorded as a deferred charge in the accompanying financial statements of the Refuse Fund and is being amortized on a straight line basis over the remaining post closure period, currently 28 years. The estimated cost of meeting the State's requirements was increased by 2.2 million during 2002 based on the engineer's annual review of closure and post-closure maintenance costs. Additionally, payments made during the year of \$73 reduced that liability to its June 30, 2002 balance of \$4,364 as reflected in the balance sheet of the Refuse Fund.



15. Special Item

In May 2001, the City settled a lawsuit it had brought against certain manufacturers and distributors of dibromochloropropane ("DBCP"). DBCP, a pesticide that the Environmental Protection Agency banned in the mid 1970's was detected in certain City-owned potable water wells. The forty-year settlement agreement with the Dow Chemical Company, Shell Oil Company, Shell Chemical Company, Occidental Chemical Company, The Best Fertilizer Company and Occidental Petroleum Corporation (the "DBCP Defendants") provides for the DBCP Defendants to compensate the City for the costs of constructing, installing, maintaining, testing and operating granular activated carbon treatment facilities to remove DBCP from certain City wells. The settlement agreement is expected to cover the majority of such treatment costs and will help the City maintain a potable water supply that does not exceed federal and state limits for DBCP.